



LEGISLATIVE FISCAL OFFICE  
Streamlining Commission Analysis

Recommendation No. **RECOMMENDATION 7**  
Streamlining Draft **AGOPRM 7**

<b>Date:</b> November 19, 2009 3:52 PM	<b>Author:</b>
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Shift 20 non-auditor positions to auditor positions	

The proposed action calls for the Department of Revenue to shift 20 existing T.O. into auditor positions to improve compliance with state tax laws.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$67,360	\$88,109	\$91,633	\$95,298	\$99,110	\$441,510
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$67,360	\$88,109	\$91,633	\$95,298	\$99,110	\$441,510

REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The recommendation of the Streamlining Commission will result in the minimal expenditure increases above due to the higher salaries paid to auditors compared to the average current employee at the Department of Revenue (LDR). This analysis assumes these positions are attained through attrition or use of frozen positions. Each employee contributes to compliance and a precise impact on collections of losing a non-auditor employee in favor of an auditor cannot be determined.

The Department assumes that the the positions shifted to auditors will have the average salary and related benefits of a LDR employee (\$71,068) and the auditor will have the mid-range salary and related benefits of current Revenue Tax Auditor II positions (\$75,472). The figures in the expenditure line above show the annual difference in salaries and related benefits \* 20 positions, assuming effectiveness on January 1, 2010 and a 4% growth factor. In addition, each auditor would require a laptop computer valued at \$1,250 which is included in the FY 10/11 figure.

Should these positions instead be attained through termination, additional expenses such as termination pay may be incurred. If the department uses T.O. made available by other streamlining initiatives, such as shifting nonresident contractor bonding duties to the Licensing Board for Contractors, the impact to the state would depend upon the cost for which this function could be accomplished by the board and would be in addition to that cost illustrated above.

REVENUE EXPLANATION

The recommendation of the Streamlining Commission will result in anticipated increases in revenue due to growing collections from a larger auditing force. The average collections per auditor from FY 02/03 - FY 08/09 was \$1.3 million. As auditor abilities and results improve over time and the results of the field audits reach the system, revenue could increase from \$2.6 million in FY 10/11 to \$26 million in FY 14/15 and beyond, depending on whether the new auditors perform at the average. It is assumed that the new auditors will require four years of experience to attain this level of success with phased-in expectations of 20% in the first year of employment, 45% in year 2, 75% in year 3 and 100% in year 4. The revenue calculations above split these percentages between fiscal years since the auditors are expected to be hired mid-year.

Collections are always dependent upon the types of accounts that are audited as well as the timing of the payments and may fall short of or exceed these estimates. Larger audit liabilities are typically collected over a period of years after completion of the audit at the field level.

If the Department is required to eliminate positions in order to accommodate the additional auditors, there is expected to be a loss of collections due to a decline in voluntary compliance that may have resulted from services provided by those positions. This impact cannot be determined since the positions that may be eliminated have not been identified. To the extent that positions critical to compliance are eliminated in order to increase the total number of auditors, the impact reflected above may be reduced.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	<b>H. Gordon Monk</b>
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	<b>Legislative Fiscal Officer</b>